Learn, Practise and Profit from Investing

How analysts and investors make investment decisions and benefit from earnings data patterns that work

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Dedicated to all the budding Stock Market Investors!

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Important Financial Terms

Financial Data Tables are like a report card for a company for each financial period. This is quite similar to your report card for your 10th or 12th grade exams, where your scores determine your success with admissions and jobs. Notice here that 10th is equivalent to reporting period and 12th is another reporting period.

In a similar way, companies report performance at every quarter interval, i.e., 4 times every year. This data trend is shown in Financial Data Tables as quarterly data trend and annual or trailing twelve-month trend. Trailing twelve-month data is the sum of past 4 quarters. Annual data is as the financial year end for the company, generally year ended March 31.

Just like report cards show scores in subjects, Financial Data Tables show the scores for a company across many parameters for each past time period. They are the financial resume of a company. If the company has performed well over a period of time (generally 3- 10 years), they get regarded as good companies. Companies like **HDFC Bank, Hindustan Unilever, Marico, Dabur** etc will qualify as good companies. In general, companies where growth performance is strong and accelerating are bullish, while those whose earnings are decelerating are bearish outlook and those that have flat growth trends will have to viewed on case-to-case basis, based on their future outlook.

These trends or changes in data points impact share price movement more than just absolute size or profits or other parameters. The absolute sales and profit numbers are already in the price (i.e., market knows about it and is priced in and it is the change and expected change that drive share price movements). As investors, we are interested to invest in companies whose share price will go up. Hence, we should be more interested in positive changes in financial data. Put another way, good companies may not be good investments. They must also grow. For example, **ITC** is good company but currently has no growth and hence its Share Price is stagnant.

Let's now take a brief look at the list of important financial terms.

This is not a full list of accounting and financial terms but a list of major indicators that are useful to observe and understand data trends. We will be using these data points to observe key trends. For a budding investor, investing observation skills can be developed to spot major trends by observing these data points.

The detailed origin and context to these terms can be found in any good finance book or from websites mentioned at the end of this chapter. As a beginner, you may find it easier to first learn to spot data trends and then along the way learn the basics behind the terms from these reference books. This approach will be suitable even for those without formal background in finance.

1. **Share Price:** The quoted price of a share. This is available every time a trade happens. However, we will use end of day close price to the Share Price in this book.

2. **Sales:** The revenue generated by a company in a Quarter or TTM period

3. **EBITDA:** Earnings before Interest, Depreciation and Taxes or Net operational earnings is Sales minus expenses incurred to produce the Sales

4. **PAT:** Earnings after Interest, Depreciation and Taxes or Net Profit

5. **Net Block:** Fixed asset base of the company

6. **Equity Capital:** Equity capital and profits earned in previous periods, also called as reserves

7. **Equity Shares:** Total number of issued shares of the company

8. **EPS:** Net profit divided by total number of Issued shares

9. **Market Capitalisation:** Share Price multiplied by total number of Equity Shares gives market capitalisation. This is also called company value on a given date. Market Capitalisation over multiple periods gives a good indication of how its size has grown over many periods.

10. **Debt:** Amounts borrowed by the company as on a date

11. **Valuation Multiples:** Valuation multiples are derived figures and are computed by dividing Share Price or Market Capitalisation by EPS, Sales etc.

    i. When Share Price is divided by EPS, it is called **Price Earnings Ratio**. This can also be computed by dividing Market Capitalisation by PAT.

Higher PE ratio meaning we are paying (in the Share Price) higher multiple on the company's TTM PAT.

ii. When Market Capitalisation is divided by Sales, it is **Price to Sales ratio**.

iii. Where the sum of Market Capitalisation and Debt are divided by EBITDA, it is known as **EV/ EBITDA**.

iv. When Market Capitalisation is divided by Equity Capital, it is known as **Price to Book ratio**.

v. When PE ratio is divided by TTM profit growth, it is **Price Earnings Growth multiple**. This shows the relationship between PE ratio and growth trend achieved by a company. Higher growth companies generally command higher PE ratio.

More detailed understanding on valuation multiples is provided in section

12. **Growth Ratios:** Growth ratios are very important and give indication of the all-important changes in performance trend. Sales growth, EBITDA growth, PAT or EPS growth are very important indicators. For determining change in financial performance, growth is determined and evaluated across many time frames.

    Some of the most common time frames to consider include, change over previous quarter, over previous same period, CAGR (Compound Average Growth Rate) growth over 1,3, 5 and sometimes 10 years. These growth trends are applied separately on quarter and TTM data to gain insight into the quantum and acceleration of change. This analysis is done on all major financial parameters like Sales, EBITDA etc to get a full picture.

    Seasoned investors examine all the above growth data points to determine if the company is in strong growth phase or not and then estimate the likely forward growth for a company.

13. **Margin Ratios:** Like growth ratios, margin ratios are important. EBITDA margin is obtained by dividing EBITDA by Sales and Profit margin is obtained by dividing Net profit by Sales. Generally, higher and growing margins are considered good.

14. **Asset Ratios:** There are 3 key asset ratios explained below:

    i. **Debt Equity** Ratio is computed by dividing Debt by Equity. D/E of 2 or higher or very sharp rise in D/E is not considered good.

ii. **ROE (Return on Equity)** is computed by dividing Net profit by Equity Capital. Higher ROE is considered good. This ratio shows how much the Net Profit is, as a proportion of the company's Equity Capital. Generally, consistent 15% or higher ROE is considered to be very good. Further, periods when ROE is rising is generally associated with rising share prices.

iii. Finally, **Asset Turnover ratio** is computed by dividing Fixed Assets by Sales. This figure shows how much Sales a company can achieve from its Fixed asset base. When a company adds fixed asset its Asset Turnover ratio will drop. From this, investors can estimate the likely maximum sales the company can achieve once the fixed assets become useful for delivering Sale. More on this later.

15. **WCD: Working Capital Days.** This shows the amount invested by the company in current assets like inventory and debtors as a proportion of total TTM sales on a 365 days basis; i.e., It shows the number of days of current assets. Generally, lower WCD indicates better efficiency. Working capital is composed of several items like investor, debtors, loans given, advances paid, supplier credits etc. The most important among these items are inventory, debtors and creditors.

16. **Cashflow:** In simple terms this means PAT adjusted for non-cash items like Depreciation and Working Capital changes for the period. Generally, Cash flow from operations and PAT should be similar and is indicative of an efficient company.

In addition to the above terms, some commonly used terms in this book are given below:

1. **Earnings Data Pattern:** The chart of growth and margin ratios for a company over a number of quarters or years reveals its Earnings Data Pattern. Strong growth is generally indicative of good investment opportunity

2. **Bull Market and Bear Markets:** Bull markets can be equated to periods when the sea tide is high and bear markets are like low tides periods. Periods (1 month, 3 months, 1 year) when Share Prices are rising is associated with bull markets.

3. **Multi-Baggers:** When an investor invests in a Stock and its share price doubles or trebles, these stocks are multi-baggers for the investor. Multi-baggers are considered as best investments

4. **CAGR:** Compound Average Growth Rate is used to assess growth period longer than 1 year. The compound annual growth rate (CAGR) is the rate of return (RoR) that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span.

Pre-read Learning

Basic knowledge of accounting, finance and stock markets will be very helpful to properly comprehend the investment process. We also recommend reading and watching the following very insightful and free online resources:

1. Section 1 and Section 3 of Zerodha Varsity. You can access this here. https://zerodha.com/varsity/

2. Introduction to Stocks series of videos available at Khan Academy. These are available for your reference at https://www.khanacademy.org/economics-finance-domain/core-finance/stock-and-bonds#stocks-intro-tutorial

Preface

Amid record rally in the equity markets, India has added on an average 13 lakh new DEMAT accounts every month since April last year. Retail investors have become dominant investors and now own stocks worth ~ 16 lac cr. We think at this stage of India retail and individual investor equity participation, a specialised book that explains how analysts make investment decisions, assess valuation multiples and write analyst reports will be useful. This is because most of the investment advice come from analysts at leading brokerage houses and it is important for investors to learn how this works. This book will also highlight data patterns that work and are easy to follow.

Fundamental Analysis

Fundamental Analysis is a holistic approach to study a business and assess stock performance. This requires basic level skills in accounting, financial analysis and valuation. The fact that there are millions of successful investors tells us that expert level knowledge is not necessary in these disciplines to succeed as an investor.

Having said this, investors do need to develop a strong common sense to judge business trends and build skills to identify market patterns which then help in taking strong conviction investment calls. These financial and economic patterns can be learnt by anyone interested in markets by regular observation and practice. It is well known that human beings learn faster through pattern recognition as opposed to textbook narratives.

This book is specially designed to enable data pattern recognition through observation for successful investing. I have tried to enable this by explaining the most common investment process used by seasoned analysts and investors to make investment decisions through simple observational steps that anyone with or without finance background can learn and build on.

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Earnings Data Pattern that works

Let's explore Financial Data Tables for two companies. One of these is clearly in a phase of strong growth and the other, although a reputable and well-known company, is in a phase of almost negligible growth. Just by observing and examining the data in these financial tables, it is enough to show that the company in strong growth phase is more

rewarding for investors. The key point being, it is not enough to invest in a good company, the company also needs to be in a phase of strong **earnings** growth for strong rewards.

The examples below also highlight the "Earnings Data Pattern", a pattern that normally is associated with strong increase in Share Price.

Example 1 - Sport King India Ltd, a textile manufacturer and exporter.

This company's Share Price has increased from Rs 800 to Rs 4000 currently. A 5x (times) increase in 6 months. This increase is contributed by substantial increase in net profits - from Rs 10 cr. per quarter to Rs 80 cr. per quarter. An 8x increase in profits.

Company Snapshot | Share Price | **P&L** | Balance Sheet | Growth & Margin | Growth & Valuation | Debt & Asset Ratios | SH Pattern | Common Size | Peer SnapShot

₹ ₹ in Cr Unless Mentioned. Click table heading to view graph

Qtr End	Result Date	Data Type	Price	Mcap	EV	Sales	EBITDA	Net Profit
LATEST	11 Aug	S	4052.85	1,346	1,802	450	125	79
202106	24 Jul	S	3047.25	1,012	1,468	450	125	79
202103	24 Apr	S	1150.35	382	838	413	102	66
202012	23 Jan	S	819.70	272	708	351	61	30
202009	11 Nov	S	306.55	109	545	321	26	10
202006	21 Aug	S	295.00	105	645	221	23	0
202003	14 Jun	S	[illegible]	90	630	324	30	1

Data source: www.equitylevers.com/financelab, a unique finance terminal for valuation multiples

If you track companies, as part of earnings data pattern, this company would have come up. From January 2021 onwards, the earnings data pattern would show this as a potential buy. Of course, some understanding of the business drivers will be necessary (discussed later). Despite sharp increase in profits and price, notice that PE has remained at around 7 times and accordingly continues to hit upper circuit even as recently as August 12, 2021. (See chart below, last column)

Company Snapshot | Share Price | P & L | Balance Sheet | Growth & Margin | **Growth & Valuation** | Debt & Asset Ratios | SH Pattern | Common Size | Peer SnapShot

₹ ₹ in Cr Unless Mentioned. Click table heading to view graph

Qtr End	Result Date	Data Type	Price	Mcap	EV	Sales Gr YoY	EBITDA Margin	Pat Gr YoY	Pat Margin	ROE	PE
LATEST	11 Aug	S	4,053	1,346	1,802	104%	28%	21966%	18%	52%	7.3
202106	24 Jul	S	3,047	1,012	1,468	104%	28%	21966%	18%	52%	5.5
202103	24 Apr	S	1,150	382	838	28%	25%	5237%	16%	30%	3.6
202012	23 Jan	S	820	272	708	2%	17%	590%	9%	16%	6.6
202009	11 Nov	S	307	109	545	-8%	8%	980%	3%	6%	7.0
202006	21 Aug	S	295	105	645	-35%	10%	-94%	0%	3%	15.3
202003	14 Jun	S	254	90	630	2%	9%	-69%	0%	5%	7.3
201912	11 Feb	S	369	131	646	18%	10%	-34%	1%	6%	8.7

Example 2 - Maruti Suzuki India Ltd., an automotive major with 50% market share in India Maruti's share price has remained range bound over past 4 quarters at around Rs.6,000 - Rs.7,000. Also, its net profits have remained range bound (see chart 2 below) and has further taken a sharp fall in current quarter.

Qtr End	Result Date	Data Type	Price	Mcap	EV	Sales Gr YoY	EBITDA Margin	Pat Gr YoY	Pat Margin	ROE	PE
LATEST	23 Sep	C	6,844	206,750	204,194	332%	5%	277%	3%	10%	40.3
202106	29 Jul	C	6,992	211,211	208,656	332%	5%	277%	3%	10%	41.2
202103	27 Apr	C	6,558	198,110	195,555	32%	8%	-6%	5%	8%	45.1
202012	28 Jan	C	7,586	229,165	229,268	13%	9%	26%	9%	9%	51.3
202009	29 Oct	C	7,114	214,900	215,002	10%	10%	2%	8%	8%	52.9
202006	29 Jul	C	6,186	186,855	186,957	-79%	-21%	-119%	-7%	8%	46.3
202003	13 May	C	5,035	152,105	152,207	-15%	9%	-28%	7%	11%	26.8
201912	28 Jan	C	6,997	211,364	211,697	5%	10%	4%	8%	13%	34.2

The lack of growth is clearly visible. This company would not show up on the earnings data pattern. Clearly, we want to invest in companies that show strong and accelerating earnings as opposed to flat growth companies.

Introduction

How seasoned investment analysts make decisions is the subject of this book. But the same is made simple based just on observational thumb rules. We will study this in the following 4-step process:

1. Analysing past financial data for the company
2. Making estimates of future growth and margins for the company
3. Finding and assessing the economic reasons (equitylevers) that are playing out for company or sector
4. Making an assessment of the valuation multiple the company may command next year.

Before we commence in our endeavour, a few important observations for beginners.

Investing as an educational discipline is vast. We cover just the first but a very important step to understanding an analyst investment process. The idea is to declutter the process into simple observational steps that anyone with or without finance background can learn and build on. Just like a doctor takes several years to learn and practice the study of medicine, learning investing is also a journey. A very rewarding journey if done well. A good investor should continue reading the numerous wonderful books written by great investors and authors.

It is important to highlight a key difference between learning investing and learning core subjects like accounting, finance or engineering. Core subjects are specific and have correct and wrong answers. Let's say the solution to a core subject problem is A. If we come back to the problem after 1 year, the answer will still be A. This is because full information is known for a core subject problem. However, investing involves looking into future which is uncertain and full information is not known.

Future events also keep changing based on current and future events that will happen. Hence, we can at best get a set of probable answers to an investment situation. Also, this answer could be different for each one of us, as we all will view it from our differing points of view about the future.

This point highlights why each analyst gives different investment view for a stock on different dates and also why different analysts differ in their views about a stock. Someone

will say sell while another analyst will say it is a buy.

Who can benefit from this book?

Learning investing should be more than reading a book. It should provide a lot of practice with live case situations. It is only practice that will make you a better investor or financial analyst. Accordingly, this book is part of Equitylevers Finance Lab, a unique practice platform for learning financial analysis and investing. This book covers important frameworks to understand the investment process and the Equity Levers Finance Lab provides a unique practice environment with the following features:

1. Expert videos on actual practice of financial analysis and investing
2. Investment games to help develop skills
3. Live company evaluation templates for financial analysis
4. Live ideas for investing generated by our algorithm (using the Earnings Data Pattern).

More on our Finance Lab is available at Annexure 1. We recommend reading this section as we will be using financial data from the Finance Lab for the examples.

Our application-based approach will help the following users.

1. **Beginners** – There is a lot of literature for beginners but not enough practical application system to help understand seasoned analysts' investment process. Once

you have done the entire **Learning** Process (see next section), we assure that you would be better at reading financial statements, grasping business trends and making investments.

2. **DIY Investors** – There is a large group of investors who want to invest by themselves. The dramatic rise in DEMAT accounts is indicative of this growth in such type of investors. We hope to enable such investors to spot trends by themselves.

3. **Non-finance background professionals** – Observing market patterns is a good way for non-finance executives, like marketing and operations professionals, to learn essential financial analysis necessary for growth in their corporate careers.

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Chapter 1 - Why Analysts use Valuation Multiples for Investment Decisions

When you place a fixed deposit with HDFC Bank, you are doing so to get assured return (interest) on future periods. In equity markets, the payouts come at a future period in the form of profits (EPS or cash flows) made by the company. However, in the equity markets, this future payout is not pre-defined. The estimation of forward profits and EPS is one of the key objectives of investing.

The time value of money, the idea that money today is worth more than an identical amount of money in the future, is one of the first concepts taught in a finance class. Discounted cash flow model formalizes this concept. However, a recent survey of professional equity analysts found that market multiples were by far the most popular approach to valuation among nearly 2,000 respondents (Source: Morgan Stanley).

As mentioned earlier, every investor should learn how this investment process works using this multiples-based approach.

Estimating future earnings and assessing future valuation multiple are key parts of this investment process. This text image is from Morgan Stanley, an international investment bank analyst report on Sun Pharma.

Sun Pharmaceutical Industries(SUN.NS)

Our price target is based on 22x our March 2023 EPS estimate. We think this is justified as Sun has new growth engines – specialty, leadership in the domestic market and sizeable and growing businesses in ROW and EMs.

Notice that there is a forward PE assessment (22X) applied on a future 12-month period (March 2023, EPS) and a statement about business outlook.

Let's understand how these are estimated.

Chapter 2 - Making Investment Decisions

How to find companies that are expected to deliver robust profits in the coming 12 months? This requires the following skills:

1. Learning to read financial data, and
2. Ability to assess business outlook.

As already mentioned earlier, we will study this in 4 steps:

1. Reading financial statements
2. Making estimates of future growth and margins for the company
3. Finding and assessing the economic reasons (equitylevers) that are playing out for company or sector, and
4. Making valuation assessment.

Step 1 - Reading Financial Statements

The most important financial data and ratios are less than 15. These are briefly highlighted below in under 3 topics. Understanding size, understanding growth and margin trends and understanding balance sheet strength and finally assessing investor interest.

In the Finance Lab, expert videos and games section, we will use these data points and explain its usage across a variety of companies. For now, just a quick summary.

Understanding size - Price, Market capitalization, Sales, Profits and ROE. This gives us the context of size of company. Companies with market caps above Rs. 10,000 Cr are large. Rs. 2,000 – Rs. 10,000 Cr. are mid sized and smaller companies are below Rs. 2,000 Cr. Typically, small companies should grow faster to gain investor interest.

Understanding growth, margins and hygiene - We can break this into 3 broad categories.

1. **Sales Growth, Ebitda Growth, PAT growth** - To get a sense, the growth numbers should be viewed in different time frames. Quarterly YoY and QoQ, TTM YOY, 3-year CAGR etc. We should also be aware of the mathematics of financial data as these can throw funny results at times. Let take an example, a single quarter PAT growth can be as high as 2000%, where profits jumped from Rs. 0.5 Cr. to Rs. 10 Cr. However, viewed w.r.t different time frames, the possible growth rates may be just 5% - 10%

2. **Gross, Ebitda, and PAT Margins** - Trend over past several quarters is very useful to understand the margin strength or weakness. We also learn the maximum and minimum range of margins the company operates in. This reflects its long- and short-term business environment.

3. **Hygiene** - Working Capital Days (WCD), Debt/ Equity (DE) ratios and Cash Flow from Operations (CFO) vs PAT comparison help determine if the company balance sheet is strong. As a rule, stable and falling WCD and DE ratios are better. For example, if a company generates poor CFO much lower than reported PAT, then this company may have issues and investors should be careful. Learn this observation skill by playing investment games in the Finance Lab.

Assessing investor interest

As part of financial analysis, an investor should also consider, weather there is investor interest in the stock. This can be done by observing recent (1 year, 1 month, 1 week) price movement for a company and industry players. Strong price up move along with strong signals from financial analysis is a sure shot winner.

Step 2 - Making Forward Projections

Equity markets discount future earnings!

Before we begin, please do note that we are simplifying a complex subject for ease of understanding.

There are 2 conventional methods to estimate the future financials. One is bottom up, where every aspect of projection is built step by step. For example, if we are putting up a restaurant in the high street, we will need to survey the alternative restaurants available, foot falls, pricing in the area, nature of customers and their preferences and many more aspects.

However, for listed companies all this may not be necessary. This is because, it has an established business model and the past financial data trend gives necessary clarity on its operating economics. In investing the key focus is to understand the expected change from the past financial trend. We have already seen that Maruti Suzuki is a large and profitable business, but this by itself will not make its price move up or down. It is only material acceleration in performance (currently or expected in the future) which will drive increase in share price.

There are two components to making forward estimates:

1. past financial performance of the company and its competitors and
2. the all-important business outlook

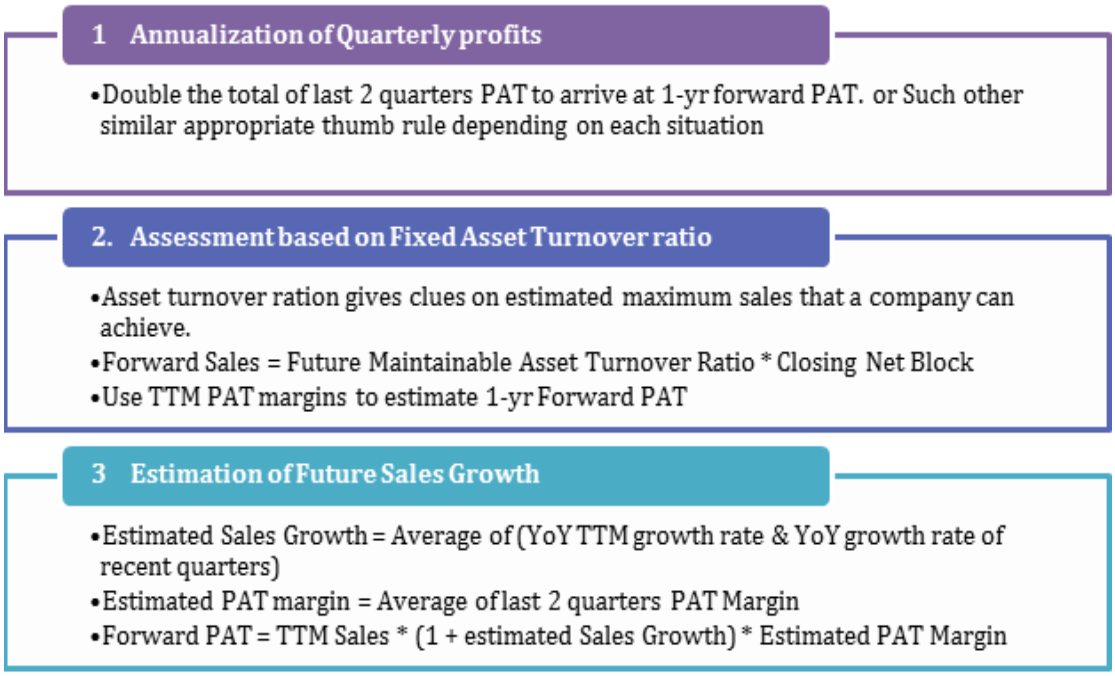
In this step, we will demonstrate intuitive approaches to making forward estimates based on past financial data, its growth and margins. The focus of the second component, business outlook assessment is the subject of the next step.

Making Forward Projections

There are essentially 3 simple ways we can project a forward number from past data as shown in the picture below. These methods are fully explained and can be practiced in the Developing Intuition Games and Expert Videos section of the Finance Lab.

1. **Annualising past 2 quarter PAT to estimate forward year PAT estimate:** For example, if a company reports Rs 10 cr., Rs 15 cr., Rs 20 cr. and Rs 20 cr. as profits

in the previous 4 quarters. We will not be directionally wrong if we estimate its 12 months forward TTM profits at Rs 80 cr. (2 times of sum of Rs 20 cr. plus Rs 20 cr.). The trailing 12 months PAT was Rs 65 cr. We have accordingly made a quick estimate that next year PAT will be higher by Rs 15 cr. or 23% growth. There is also clear evidence of acceleration in the quarterly growth trend.



2. **Assessment based on Fixed Asset Turnover:** As we discussed in important financial trends, growth in Fixed Assets generally indicates higher future revenues. This is because, the company is adding capacity because it sees opportunity for growth. Asset Turnover Ratio helps assess the Sales that can be achieved from a given asset base. Studying this ratio over multiple periods gives clues on the sustainable Sales on a given asset base. For example, **Ultramarine Pigments**, a chemical manufacturer has made significant investments in the recent years. Its Fixed Asset Net Block has expanded from Rs 80 cr. in 2019 to now Rs 328 cr. However, its sales have remained at between Rs 50 - 60 cr. annually. As a result of this expansion, the Fixed Asset Turnover has dropped from 4 levels to currently 1. It will be reasonable for investors to assume that over the next few years, the company will achieve better Sales from its Fixed assets. For estimating, we can use the past average Fixed Asset Turnover of 4 and multiply this with the current fixed assets of Rs. 328 cr. to get potential future Sales number Rs. 1,312 cr. This means

over the next few years; this company can multiply its Sales. With higher profits will also be higher.

Qtr End	Result Date	Sales	EBITDA	Net Profit	EPS in Rs	Net Block	Asset Turnover
LATEST	23 Sep	336	83	60	20.41	328	1.0
202106	11 Aug	336	83	60	20.41	328	1.0
202006	12 Aug	296	70	57	19.61	127	2.3
201906	29 Jul	301	74	54	18.62	81	3.7
201806	06 Aug	290	61	45	15.38	71	4.1
201706	11 Aug	263	53	35	11.94	60	4.4
201606	08 Aug	226	41	29	10.06	55	4.1
201506	07 Aug	181	30	19	6.48	40	4.6
201406	07 Aug	160	28	18	6.10	42	3.8
201306	08 Aug	139	20	10	3.59	43	3.2

3. **Estimating future Sales growth and likely PAT margin:** In this method, we use the growth achieved by the company in the recent TTM periods, QOQ quarterly growth and YOY Quarterly growth, 3-, and 5-year CAGR rates, to estimates a probable growth estimate for the next year. Similarly, the expected margin will need to be computed from past margin estimates. The skill for this observation bases estimation process is built over time through a number of observations. Our investment games will provide more practice.

How do these estimates compare with estimates provided by analysts?

If the past trend computed as above corroborates with the business outlook for the sector or the company, then this estimate is normally a good approximation for getting a handle on direction and size of likely performance of the company. Remember, future is uncertain.

Also, this approximation is good because even analysts extrapolate using most recent period financial performance and or management estimates. Some more reasons why this helps is as follows:

1. Analyst estimates can sometimes be very aggressive and developing this approach will help you become a good judge on the analyst estimates.

2. For smaller companies where quality analyst estimates may not be available, this often is a good alternative but must be read alongside business outlook for the sector.

3. If you are holding a stock, this method is helpful to track your portfolio of stocks. If the business outlook trend is changing and the financial data become weak, these estimates will give strong clues for hold or sell decisions.

Step 3 - Finding Equity Levers

Investors continually make qualitative assessments of future business outlook for a company. Company past performance and news flow determine investors' view of a company's future. We have already considered past financial data in making forward projections. Let us now focus on news flow. Company profits go up or down based on material changes in the external or internal environment that the company is operating in. Generally, changes arising due to company customer outlook, govt policies, products of competitors have greater impact than those arising out of changes in employee cost or advertising budgets. This means we don't need to assess the impact on all items in the P&L or balance sheet.

Material information - Material changes are those that can have substantial impact on profits in the upcoming few quarters. **Tata Consultancy Services (TCS)** adding a new medium sized client may not have a material impact as it is a huge company with multiple offices. However, TCS adding 10% new work force is material and can be interpreted to mean better business prospect, even while this will have a cost impact.

Spotting the change - News items need to be assessed on the back of existing growth and margin trends. For example, when a company is in a positive growth phase and negative news gets announced, it could be a material turning point. Let us take an example, in 2018, Delta Corp, a gaming company, was in a period of positive growth. Just then Goa Government announced a large hike in license fee on their casinos. This resulted in a sharp fall in share price.

Here is a quick thumb rule to identify attractive opportunities.

Let start with step 1 and identify companies that are showing strong growth. Obviously, there will be a reason and we just need to discover this reason. This approach of first looking at earnings growth will get us to focus on possible winners. Now to find the reason, we can use publicly available resources. For example, YouTube videos, investor discussions in Valupickr.com, analyst reports from your broker, company filings, management interviews are possible sources for the same. Most are free and at times provide high quality information.

What to look for in these news/ analyst reports?

As an investor, the focus should be on structural trends. If you cannot spot any structural reason, may be the strong growth is one off. Further, it is important to know that not every situation we evaluate will be worth investing. Our job to find the headline reason and if we can't find one, skipping the opportunity may be a good idea. Let take a few examples:

1. If evaluating why **VIP Industries** has reported strong earnings, then focus on Airline sector growth, the key driver for luggage industry. This trend was very strong prior to Covid but faltered following Covid lock downs. Now the expectation has again improved given a post Covid scenario.

2. If evaluating why **Bharti Airtel** is reporting strong numbers, then focus on two major items, growth in customers and increase in revenue per user. Both these data points will be available in company websites and also in economic newspapers. Currently both these metrics have been weak for the industry and this shows in Bharti Airtel price movement.

3. If evaluating **Tata Coffee**, the key metric to be analysed should be international coffee prices as Coffee a commodity product and subject to cyclicality; i.e., if coffee prices rise, Tata Coffee would reap its benefits.

Once the big trend is spotted, the job should move to assessing the risks. What could derail the big trend. For example, in the Tata Coffee example above, how sustainable is the price increase will be critical. It is now important to keep track news flow around coffee prices as often as possible from authentic sources.

How deep should you analyse a company?

The idea is to understand the big economic picture of the company and the key drivers of expected change, which can be profitable or avoid losses. Some of the questions to answer are the following:

1. Usefulness of the product/ service
2. How important and useful is the product to the consumers?
3. Are the company customers profitable and doing well?
4. What is the key economic driver for the business? Prices, volumes, order flow etc.

5. What is the cost structure? What is the cost structure outlook?
6. At what rate is the sector expected to grow?
7. Who and how strong are its competitors?

Some investors go in depth (some YouTube videos and analyst reports are quite in depth) or others just look for important drivers. We are in the latter camp as we don't think, we can discover too much new useful material information by spending more time in comparison to the well-equipped large investors in the market. Investors should develop an understanding of the business and invest where strong growth at attractive valuation can be reasonably determined. Also, going deep, is generally useful when taking concentrated bets like PE investors. There is no right or wrong way, but the process should help build conviction on the expected future outlook.

Do not miss the forest (the story) for the trees!

Once the story is understood, regular monitoring of news, events and quarterly updates will be easier. This will be available in most business newspapers and will not require too much time to gather.

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How to find multi-baggers?

Everyone wants to invest in multi-baggers, and this is a common question with beginners and DIY investors. While this is a detailed topic, a quick point is that the best time to spot multi-baggers is during a bear market. April 2020 was a great period for investors to find multi-baggers. Stocks were cheaper as they had taken a beating. Companies that had strong performance with good business outlook in bear markets are more likely to become multi baggers. Here is a list of multi-baggers from the past 18 months. Each of these have delivered strong performance and have also enjoyed a positive business outlook. Their valuation multiples have expanded dramatically. We will be covering many of these in our monthly financial analysis videos as to how you could have spotted these companies at an early stage.

Listen to our video podcast on finding multi-baggers

Company_Name	INDUSTRY	Mcap	CAGR_price_1Y
Tanla Solutions Ltd.	Computers - Software	1,22,467	1610%
Intellect Design Arena Ltd.	Computers - Software	94,525	1080%
Mastek Ltd.	Computers - Software	33,121	637%
Balaji Amines Ltd.	Chemicals - Organic - Others	56,703	610%
Jindal Steel & Power Ltd.	Steel - Sponge Iron	3,90,258	505%
Laurus Labs Ltd.	Pharmaceuticals	2,00,528	446%
Aarti Drugs Ltd.	Pharmaceuticals	65,156	418%
APL Apollo Tubes Ltd.	Steel - Tubes,Pipes	1,54,165	413%
Vaibhav Global Ltd.	Diamond Cutting,Precious Metals,Jewellery	1,30,792	399%
Alkyl Amines Chemicals Ltd.	Chemicals - Organic - Others	1,15,528	390%
Tata Elxsi Ltd.	Computers - Software	1,77,809	381%
KPIT Technologies Ltd.	Computers - Software	74,950	362%
Firstsource Solutions Ltd.	IT Enabled Services	83,184	329%
Deepak Nitrite Ltd.	Chemicals - Inorganic - Others	2,20,459	325%
Tube Investments of India Ltd.	Finance & Investments	2,23,696	323%
Tata Sponge Iron Ltd.	Steel - Sponge Iron	33,146	297%
Welspun India Ltd.	Textiles - Terry Towels	83,493	295%
Persistent Systems Ltd.	Computers - Software	1,49,877	286%
Poly Medicure Ltd.	Medical Equipment & Accessories	86,201	283%

Step 4 - Observing Valuation - How to Assign Multiples

This is not a discussion on valuation concepts or methods. The idea is to provide simple thumb rules for valuation that can be used by anyone. This method works most of the time but not all the time. To become an expert, you will need to observe numerous situations and build your own observation experience.

This section is entirely based on data available at our finance terminal.

1. **The basics of valuation**

   Valuation multiple is a derived figure. We know market price and the current EPS. With these data points, P/E ratio can be derived. We know that the market price reflects trading action by numerous investors, accordingly the P/E reflects the views of many investors. Once we have enough historic data points of trailing P/E ratios, it is possible to get a sense of likely future P/E multiple for a stock (see below).

   Current trailing valuation multiples by themselves don't reveal much. P/E of 12 may not be cheap and P/E of 60 may not be expensive. Also, valuations change with market conditions, liquidity etc. Bull market valuation multiples tend to be very large and generous and bear market valuation multiples very low.

   We discussed that the most common methodology is valuation based on forward valuation multiple, typically 1 or 2 years forward. The are several factors involved while taking decision on likely forward valuation multiple as given in the table below. Some of these have been discussed in earlier sections but will be dealt with in detail in videos and investment games.

Important Factors
•Trailing growth in EPS •Consistency of growth in EPS •Forward expectation of growth in EPS •Trailing ROE and expected forward ROE •Industry Business Outlook for growth and margins •Cash conversion •Management quality

2. Mathematical quirks of Trailing PE

Price Earnings Multiples (PE) is computed as Market price divided by EPS. Before we begin, let look at some mathematical quirks of trailing PE. This is important to understand why forward PE expectation is more important than trailing PE.

i. If EPS is fast growing, P/E multiple may rise in anticipation of forward earnings growth.

For example, let say **Bharat Forge** with P/E ratio of 25 times is expected to start reporting strong growth of 40% over next 1- 3 years, its P/E may rise in anticipation of expected EPS growth. Suddenly the trailing P/E ratio could be at 40 times optically making the stock look expensive. This sudden rise in PE is worth deeper analysis to unearth and learn the opportunity in Bharat Forge.

ii. If a company EPS drops sharply, it's PE may rise sharply.

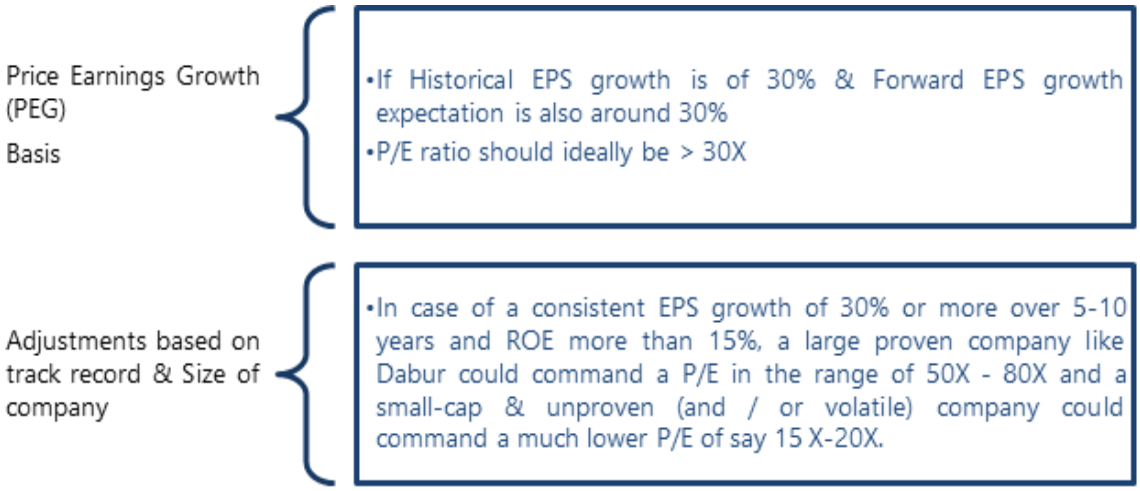
Let say, a company normally reports Rs. 100 as EPS and quotes at P/E of 15X or quotes at market price of Rs. 1,500. Let also suppose that the company has a bad year (and the market expects forward year to be strong) and its EPS drops to Rs 10. At this time P/E will rise. Obviously, the market price will fall, but not to the level of Rs 150 (Rs 10 EPS * old PE multiple of 15) as the market expects good times coming back. Let further assume market price settles at Rs 750, at this price the PE multiple will be 75 times its trailing EPS. This P/E of 75X may not be cheap and may correct further if the expected good times don't materialize.

3. The valuation multiple thumb rules

Forward P/E ratio has 2 aspects - P/E based on fair assessment, typically based on how markets have valued the company in the past and sentiment factors. For example, raging bull or bear market tend to skew the P/E ratio to the extreme. For example, Nestle India historic P/E ratio has ranged between 40X and 80X. These two extreme ends are seen during bear and bull markets (for the company or markets) respectively. P/E based on observation can be estimated at 40- 60 times based on

expected growth intensity. The higher range can be witnessed during bull markets due to market exuberance.

Price Earnings Growth (PEG) basis gives a start point for assigning valuation multiple. PEG is computed by dividing PE ratio by growth. Assume that a company has PE of 30 and is growing at 30% (past and future expectation). Its PEG will be 1. PEG Ratios that are 1 or less are considered to be attractive. The chart brings more clarity on this thumb rule.



One problem beginners face is how to pick an EPS growth rate from a data set. This is because rarely do companies have linear growth. There is significant volatility across periods. There are multiple growth data points. For example, qoq, yoy, 1-year, 3-year, 5-year compound growth rate. Studying these carefully should give you a broad sense on historic growth rate. The next is to estimate expected growth. This has been discussed in detail in the previous section. As you apply these for different situations and time periods, you will be able to build confidence in this all-important subject for investing. We also have investment games developed around estimating growth and valuation multiple. Please play these games to build skills.

Finding historic valuation range - As we have discussed, historic valuation tables are very useful and provide good indication of how market assigns valuation multiples to different companies. Here is the table below our Finance Lab for Maruti Suzuki for the last 10 years. It shows growth, ROE and P/E ratios for past 10 years:

Qtr End	Result Date	Data Type	Price	Mcap	EV	Sales Gr YoY	EBITDA Margin	Pat Gr YoY	Pat Margin	ROE	PE
LATEST	23 Sep	C	6,844	206,750	204,194	40%	8%	27%	6%	10%	40.3
202106	29 Jul	C	6,992	211,211	208,656	40%	8%	27%	6%	10%	41.2
202006	29 Jul	C	6,186	186,855	186,957	-28%	7%	-42%	7%	8%	46.3
201906	26 Jul	C	5,806	175,374	175,361	-2%	12%	-14%	8%	15%	25.0
201806	13 Sep	C	8,633	260,781	260,844	20%	15%	10%	10%	19%	31.9
201706	27 Jul	S	7,592	229,348	229,824	16%	15%	31%	10%	20%	31.0
201606	26 Jul	S	4,485	135,490	135,666	17%	15%	36%	9%	20%	24.0
201506	28 Jul	S	4,196	126,742	127,043	16%	14%	43%	8%	17%	30.5
201406	31 Jul	S	2,525	76,260	77,489	4%	12%	12%	7%	14%	26.2
201306	25 Jul	S	1,414	42,720	43,485	13%	11%	72%	6%	14%	16.4

Data source: www.equitylevers.com/financelab, a unique finance terminal for valuation multiples

From the above data, it is easy to observe the below points:

i. In strong growth years (note the forward period growth), P/E range is higher. Period from FY2013-17 has been very strong for Maruti and its P/E has gradually moved up from 21X to 34X. You can observe that the market price of **Maruti** moved up sharply from about Rs. 1,500 to Rs. 8,778. This increase was contributed by both EPS and P/E multiple expansions.

ii. In the de-growth years starting FY2018-21 (the company also reported low & falling ROE), initially the P/E dropped to 26. However, post the initial drop, P/E multiple has moved up sharply to 49X in the data chart above. This sharp P/E rise is due to the 2nd mathematical quirk. Maruti's profits and EPS have declined as car sales have been significantly affected due to Covid since Mar-20. Market perhaps feels that Maruti profits will rebound sharply. Based on the above data, the market valuation for Maruti for this

period looks expensive, unless we get better evidence of growth coming back.

iii. In conclusion, the past valuation data indicates forward P/E multiple between 20X - 35X as a possible fair forward valuation range for the company.

In our expert videos section will cover many companies and their valuation observations that you can watch and learn.

Assigning forward multiple - Now we come to the last step to our valuation multiple assessments. Normally, good investors estimate possible growth in earnings and are conservative on valuation multiples. Put in other words, investors invest basis forward earnings expansion and not based on expected PE multiple expansion.

However, for our current purpose let us estimate forward PE multiples based on a possible situation. Maruti has TTM EPS (March 2021) of Rs. 145. Let's make some aggressive assumptions: -

i. EPS growth for next 2 years will exceed 40 % p.a.
ii. ROE to expand by 10% over next 2 years.

P/E in future period should be around 30-32X, based on strong growth expectation. Based on these assumptions, Maruti will report TTM EPS of Rs. 284 in March 2023. At 30 times P/E multiple, the target market price could be **Rs. 8,526.**

Here are 2 examples of analyst expectations for **Maruti**:

i. **JM Financial on 25th May 2021** - we believe that MSIL is at the start of a new product cycle which is likely to resume the market share journey for MSIL. After a two-year gap in FY20/21 marred by regulatory changes and Covid led disruption, we expect the new product cycle to drive outperformance with respect to industry growth (domestic PV) and aid margin expansion similar to the previous product cycle. We ascribe 25x PE to arrive at March-22 fair value of **INR 8,000**.

ii. **DAM Capital, In July 2021** - MSIL has unparalleled dominance in India passenger vehicle (PV) industry, with huge ~50% volume and ~100% industry profit pool share. However, a confluence of weak industry demand,

unfavourable product cycle and commodity pressures have caused the stock to underperform BSE Sensex/auto index by 5%/23% over FY18-21 (like FY08-13 phase). As during FY13-18 phase, when new launches drove 47% CAGR in its stock price, MSIL likely product offensive over the next 3 years should drive strong 19%/41% volume/EPS CAGR over FY21-24E. Valuations at 23.7x/19.3x FY23E/FY24E PER are reasonable, supported by strong earnings CAGR, and steady high return ratios. Our revised target price is **Rs. 9,500** (30x FY23E PER).

Important observation:

i. Our estimate was based on substantially higher growth estimate of 40% to arrive at price target for 12 months forward. If we lower our assumptions, this would not be an attractive investment.

ii. JM Financial has estimated for FY 23 (21 months hence) at PE of 25. While DAM capital has ascribed 30 times on 21 months forward estimate.

Stock investing is about future and hence different investors will have different basis to estimate the future and these also keep changing as new information become available. We currently don't like the business outlook for Indian automotive sector and don't think the risk reward is in our favour to invest in Maruti Suzuki.

The data pattern we like:

Qtr End	Result Date	Data Type	Price	Mcap	EV	Sales Gr YoY	EBITDA Margin	Pat Gr YoY	Pat Margin	ROE	PE
LATEST	23 Sep	C	1,427	4,109	4,184	61%	26%	198%	15%	30%	23.1
202106	09 Aug	C	775	2,233	2,307	61%	26%	198%	15%	30%	12.6
202103	14 Jun	C	404	1,163	1,238	31%	25%	162%	14%	24%	8.3
202012	08 Feb	C	408	1,176	1,267	-11%	21%	207%	12%	22%	10.7
202009	09 Nov	C	323	931	1,048	20%	18%	203%	10%	19%	11.1
202006	24 Aug	C	161	464	581	-22%	17%	169%	8%	14%	7.6
202003	14 Jun	C	108	311	428	0%	13%	286%	7%	11%	6.3
201912	07 Feb	C	148	425	604	39%	9%	12%	3%	9%	12.0
201909	11 Nov	C	140	402	581	21%	11%	850%	4%	8%	11.8
201906	05 Aug	C	109	313	510	28%	9%	7%	2%	6%	12.9

We like the data chart for Globus Spirits: Quarterly data sheet from (Sept-21) www.equitylevers.com/financelab

Analysis:

1. **Strong growth in sales, profits and EPS.** Expanding margin. Safe to estimate 30% plus growth across various period. Low P/E multiple. Industry in sweet spot due to Indian ethanol policy and growth in alcohol segment

2. This could have been spotted any time after December 2020

3. **Let's value the company today** - Basis the past growth rate, let's assume a conservative 25% annual EPS growth in the next 12 months. Price today is Rs 900. Forward next 12 months EPS estimate will be around Rs 100 (Rs 19 is the current quarterly EPS * 4 quarters is 80 and we are attributing a 25% increase). This means forward PE is 9 times (900/100). For this growth, we can estimate that the market will give at least current PE multiple of 14. Basis this we can estimate future target price of Rs 1400 (14* 100). The upside arising from expansion in P/ E will be an added bonus.

4. Please note that this company does not have size or strong growth in the past historic periods, and this means, it will need to continue to deliver strong earnings

for the PE to increase further. If it does, then we will get the benefit of PE expansion also.

5. **Disclaimer:** This has been used to explain and educate on the concept. We do not assume any responsibility for losses. We are invested in the stock.

Concluding Important Points

"You don't need to predict how everything will play out. Just master the next step and continue moving in the right direction" - James Clear.

There is risk to investing. Future is uncertain and it is impossible for anyone to fully understand what will happen. Jeff Bezos, the famed founder of Amazon.com has said he makes an investment decision if he can build reasonable clarity (60%) about likely future outcomes. This holds true for markets most of the time and we have to invest basis 60 - 70% clarity about the future.

Additional practical thumb rules:

1. Think of investing as boarding and getting off a train. At each stage there are other investors who continue the journey and new investors join. Our job as investors is to evaluate if circumstances are right for gain when we board the investment journey. Each one of us is investing basis our own assumptions about the future.

2. Once you have made your investment based on initial decision, regular tracking of investments is key to success. Learning from success and mistakes improves your understanding and judgement capability.

3. Build a network of friends. Corroborate your story/ theses with a group of like-minded friends. We have seen huge benefit to investing with ideas from different people as it throws up interesting counter arguments.

As you will note, most of the above is observational skills and not complex financial or accounting or business knowledge. These skills can be built within 1 month by learning from examples and systematically tracking and analysis. This will set you up on a fun- filled journey into continuous learning and successful investing.

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Annexure 1: About the Finance Lab

Equity Levers Finance Lab is a unique learning friendly finance lab for budding investors. While we have used many data tables and charts from this lab in this book, the lab also offers many innovative features for building practice and also practicing the art of investing. Learning insights and developing intuition

A full section is devoted to practise games and expert videos. Some of the highlights are given below:

1. Expert videos on practical investing insights to DIY: We will be adding regularly on the website on the following topics:
    - Interpreting financial statements
    - Explain why share price is moving up or down
    - How to read an analyst report
    - I hold a stock, what should I do now
    - Staging a sell decision
    - Risk assessment
    - And many more

2. Interactive games (quizzes) with real financial tables.
    - Learning to read financial tables.
    - Spotting what works and what doesn't from financial tables
    - Making forward estimates - We teach the essential thumb rules
    - Analysing news flow and finding equity levers
    - Observing and judging valuations
    - Finally, making real investment decisions

3. Live investment MS Excel work-books to practice financial analysis and investing. Compete with our algorithm and answer questions if a company's data patterns are attractive for investments or not. Over 50 companies to learn investing skills.

Dedicated Financial terminal that provide historic valuation multiples.

This section of the Finance Lab provides detailed historic financial data on growth and valuation multiples for each company and industry just as they are presented in analyst reports for 2000 companies.

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Key Highlights:

1. The financial tables provide unified financial data for companies, combining consolidated and standalone data as appropriate by giving priority to consolidated data. The data, growth and margin ratios are precomputed.

2. **PE, PB, EV/ EBITDA and PS valuations ratios** are precomputed for all the previous quarters and TTM periods. This helps understand how markets valued a company in a past period in the context of the then prevailing growth and margin environment. This is quite useful in judging valuation for a company.

   For example, the chart below shows that Asian Paints PE multiple has been consistently high across periods:

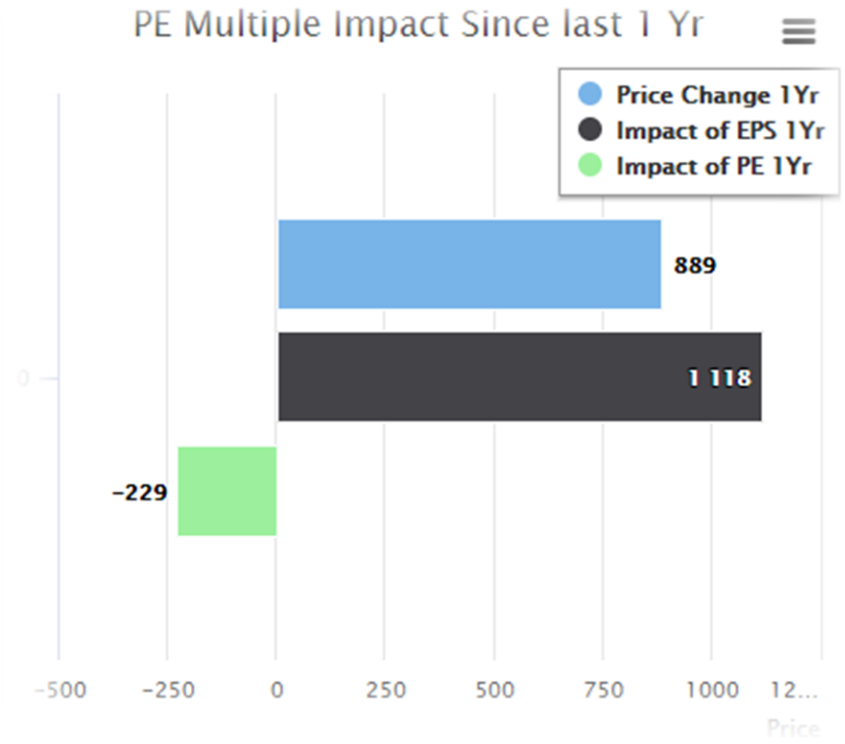
Snapshot | Big Picture | Valuation | Share Price | P & L | Balance Sheet | **Growth & Valuation** | Asset Ratios | SH Pattern | Common Size | Peer SnapShot

₹ ₹ in Cr Unless Mentioned. Click table heading to view graph

Qtr End	Result Date	Data Type	Price	Mcap	EV	Sales Gr YoY	EBITDA Margin	Pat Gr YoY	Pat Margin	ROE	PE	PB
LATEST	23 Sep	C	3,320	318,463	318,616	91%	16%	162%	10%	27%	89.4	24.1
202106	20 Jul	C	3,159	303,030	303,182	91%	16%	162%	10%	27%	85.1	22.9
202103	12 May	C	2,556	245,181	245,333	43%	20%	81%	13%	24%	76.5	18.5
202012	21 Jan	C	2,715	260,389	260,506	25%	26%	62%	19%	25%	92.4	22.8
202009	22 Oct	C	2,100	201,456	201,573	6%	24%	1%	16%	20%	86.4	17.6
202006	24 Jul	C	1,711	164,114	164,075	-43%	17%	-67%	8%	22%	70.6	15.6
202003	14 Jun	C	1,618	155,203	155,164	-8%	19%	-1%	10%	26%	55.9	14.7
201912	22 Jan	C	1,778	170,574	170,745	2%	22%	20%	14%	27%	61.3	16.3

Data source: www.equitylevers.com/financelab, a unique finance terminal for valuation multiples

3. **Assessing the contribution of PE ratio and EPS growth** to share price. This is quite useful is assessing if the valuation multiple has risen too fast relative to the EPS growth. The following chart shows that Asian Paints EPS growth over 1 year period contributed Rs. 1,118 to the price increase of Rs, 889 while PE multiple fell to cause a drop in share price by Rs. 229.



4. **Industry valuation aggregates** are available for each past period. This helps spot industries that show strong growth, margins and also companies where valuation are beginning to rise, indicating investor interest in the sector. Industry aggregates for paint sector is given below - a very high growth and high margin sector.

Sales Growth (%)	33.3	33.30	-16.90	12.60	10.40	4.90	6.10
EBITDA Growth (%)	54.3	54.30	-17.50	9.80	8.70	8.00	25.40
EBITDA Margin (%)	18.9	18.90	16.40	16.50	17.10	17.40	16.90
Pat Growth (%)	64.9	64.90	-11.40	3.60	5.50	9.40	27.80
Data Point	**CURRENT**	**202106**	**202006**	**201906**	**201806**	**201706**	**201606**
Pat Margin (%)	11.7	11.70	9.60	9.00	9.90	10.30	9.90
P/E	68.0	67.30	72.80	52.00	54.30	49.80	47.60
P/B	15.9	15.70	12.30	10.30	11.10	10.80	11.80
P/S	8.2	8.10	7.00	4.80	5.50	5.20	4.80

Annexure 2: Algorithms that Generates Earnings Data Pattern

We have been investors in equity markets for past 10 years and have generated very strong returns over this period. Most of our investments are based on financial analysis on market data patterns that work.

One of the most powerful idea is to track and follow companies that report strong and past trend beating performance. These typically have a higher chance of continuing better performance over the next periods. Let's understand why this happens.

Let's say you just passed the IAS or IIT exam. You would be in a sweet spot of great opportunity as you reputation and income can be expected to increase sharply over next few years. Similarly, if a business is in good economic situation due to certain policy changes or consumer preferences, its quarterly financial data will show this. This trend can continue for many months and often years.

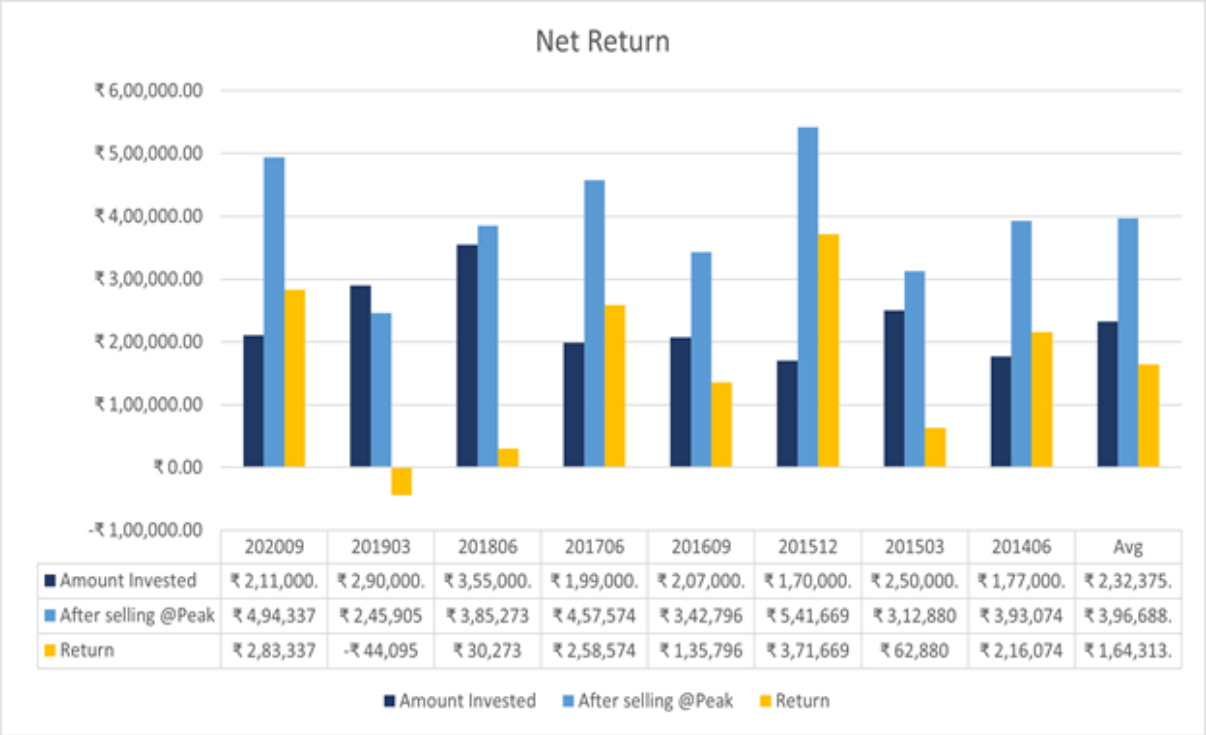
Our algorithm tracks 2000 companies each time a new result is announced. Over past 10 years, about 6000 ideas were identified by the system as potentially good/buy companies and about 10,000 as potentially avoid companies.

Out of the 6000 'Potentially Good' Ideas 53% of these companies went on to give returns of more than 20% within one year and 44% of these 53% companies, proved to be Multibaggers within 1 year of investment.

This list has also been a good pointer for the prevailing and upcoming economic situation. Bull markets being associated with more companies delivering strong performance in the period.

The following chart shows the performance of the investments made during the below mentioned quarters periods. We invested Rs. 1,000 in these 6000 ideas.

The returns generated by these investments over the next 12 months has been compiled below for illustration purpose to show that this data pattern is quite effective in delivering strong investment ideas.



	202009	201903	201806	201706	201609	201512	201503	201406	Avg
Amount Invested	₹ 2,11,000.	₹ 2,90,000.	₹ 3,55,000.	₹ 1,99,000.	₹ 2,07,000.	₹ 1,70,000.	₹ 2,50,000.	₹ 1,77,000.	₹ 2,32,375.
After selling @Peak	₹ 4,94,337	₹ 2,45,905	₹ 3,85,273	₹ 4,57,574	₹ 3,42,796	₹ 5,41,669	₹ 3,12,880	₹ 3,93,074	₹ 3,96,688.
Return	₹ 2,83,337	-₹ 44,095	₹ 30,273	₹ 2,58,574	₹ 1,35,796	₹ 3,71,669	₹ 62,880	₹ 2,16,074	₹ 1,64,313.

Our Finance Lab shows ideas from such market patterns.

About Equity Levers

Our mission as an EdTech Company for financial Skilling - Just like learning a sport, real world finance skills develop with extensive practice. Most teaching material in textbooks and videos are focused on knowledge and not so much on practical skilling needed for the workplace. Real-life problems are more holistic and also require concepts from multiple chapters and subjects to be used for solving a problem set. Also, practitioner skills is mostly learned through observation. Our endeavour is to fill this important gap and enable a lot of practice for our users.

We are a finance education company. **Some of our skilling simulation products are approved by AICTE**, Ministry of Education for use in building financial skills for job roles sector. Our products are in use at leading finance colleges like IIMs and ISB.

We offer 3 skilling products:

1. Finance Lab
   - Learning and Practice of Fundamental Investing
2. Instructors & Recruiters for Testing and Training
   - Excel based real data enabled projects (simulations) in 10 finance subjects.
   - LMS, auto scoring, anti copying and adaptive learning features
3. Building Skills for Finance Jobs
   - For candidates - Adaptive learning based projects for preparing for placement interviews and competitions

Disclaimer: We are not SEBI registered advisors. This Book and the Finance Lab should be viewed from an education and continued learning / practice perspective only. Our ideas should not be construed as any form of financial advice to buy or sell stock.

About The Author

Badri Narayanan

The author is the founder of Equity Levers Finance Lab. He is a Chartered Accountant and also a CMA. He stood all India 13th in CMA final exam in 1991. Over the past 3 decades, he has worked in multiple financial domains including, investment banking, financial restructuring, private equity and fund management. He was a former partner at Ernst & Young where he headed financial restructuring in Mumbai. More recently, he developed a proprietary algorithm to invest in Indian equity markets, which has helped him generate strong equity returns over the past 10 years.